

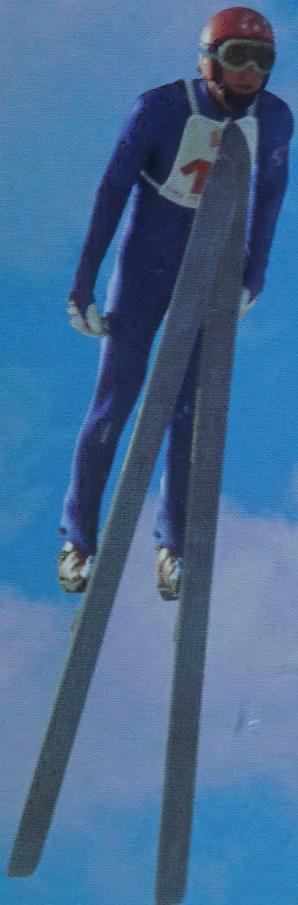
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# HUMPTY'S RESTAURANTS INTERNATIONAL INC.

Winspear Business Reference Room  
University of Alberta  
1-18 Business Building  
Edmonton, Alberta T6G 2R6

SOARING TO  
NEW HEIGHTS

1997 ANNUAL  
REPORT



## Corporate Profile

Humpty's Restaurants International Inc., headquartered in Calgary, Alberta, Canada is one of the largest family restaurant concepts in Western Canada. There are 44 locations across Western Canada and systemwide sales in 1997 exceeded \$41 million. Humpty's provides generous portions of quality food at reasonable prices in a casual, friendly atmosphere. The menu includes a full selection of breakfast, lunch and dinner entrees.





## Soaring to New Heights

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### Past - Present - Future

Five years ago, we had 29 locations and a loss in excess of \$1.2 million. Since that time, we identified franchisees that were not performing and replaced them, developed strong partnerships with franchisees and suppliers, and established a reputation for value that is second to none. Humpty's has matured. We have experienced 5 years of strong, consistent growth and our operating model continues to improve. We now have 44 locations and this year recorded a pre-tax profit in excess of \$1.1 million. Humpty's is now poised for the future.



<b>6-year summary</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>	<b>1993</b>	<b>1992</b>
(Dollars rounded to thousands, except per share data and number of systemwide restaurants)						
Systemwide sales	<b>\$41,700</b>	34,550	26,950	23,300	20,750	18,650
Systemwide restaurants at year end	<b>44</b>	40	35	32	30	29
Average sales per systemwide restaurants	<b>\$950</b>	875	775	725	700	650
Corporate revenue	<b>\$6,050</b>	4,450	3,100	2,525	2,275	2,300
General and administrative expenses	<b>\$1,900</b>	1,700	1,400	1,300	1,325	2,400
Direct restaurant expenses	<b>\$2,975</b>	2,050	1,225	1,000	1,050	1,100
Income (loss) before income taxes	<b>\$1,175</b>	700	475	225	(100)	(1,200)
Net income	<b>\$650</b>	575	475	225	(100)	(1,200)
Cash provided by operations	<b>\$1,150</b>	800	300	(225)	125	100
Financial position at year end						
Assets	<b>\$3,800</b>	2,950	2,275	2,250	2,325	2,625
Liabilities	<b>\$2,375</b>	2,200	1,975	2,300	2,650	2,850
Shareholders' equity	<b>\$1,425</b>	750	300	(50)	(325)	(225)
Per common share						
Net income (loss)	<b>\$0.044</b>	0.038	0.03	0.015	(0.004)	(0.10)
Market price at year end	<b>\$0.45</b>	0.34	0.10	0.14	0.14	0.14

## Letter to Shareholders



Dear Investor:

This has been another outstanding year for Humpty's Restaurants International Inc. as we continue to show a pattern of strong, consistent growth. This positive trend is a direct reflection on the quality of our team and their commitment to build value for you. It brings me great satisfaction to see what we have achieved over the last five years and I am excited about the opportunities on our horizon.

### Let's review what has happened since 1992:

- Added 24 new locations and closed 9 under achieving stores;
- Increased average sales per location by \$300,000;
- Increased combined restaurant and franchise revenue by \$3,750,000;
- Increased net income by \$1,850,000; and
- Increased market price per share by 221%.

Our focus on profitability, growth and shareholder value has been rewarded. We are now one of the largest family restaurant concepts in Western Canada.

### **Relationships are extremely important to us.**

Our business was founded on the philosophy that franchisees' problems are our problems. Our franchisees are our partners and we strive to have a strong, supportive working relationship with each of our franchisees. On the other hand, we cannot afford to tolerate abuse of our system. We realize that there is always the possibility of franchisor/franchisee conflicts and if the problems cannot be resolved then the franchise relationship must be severed. Strong relationships have also been developed with our key suppliers. This has allowed us to obtain consistent, fair pricing and exceptional service. Overall, our "hands on" approach has been successful and rewarding.

**Humpty's is focused on value.** Our customers come to Humpty's to get good value and great service. Our aim is to serve generous portions of quality food at reasonable prices. The average meal at our restaurants is \$7 per person. This value concept is not dependent on fad or new trends in the market place and will never go out of style.

**Our operating model positions us among the leaders in the industry.** Training and support continues to be an area of concentration which allows us to maintain our edge in this competitive industry. Consistency is also very important. When our customers visit a Humpty's location, anywhere in Western Canada, they expect a similar store layout, design and menu.

**Humpty's has matured.** Our reputation allows us to attract highly qualified franchisees. Currently, we have a waiting list of outstanding candidates interested in a Humpty's franchise. With our current number of locations, we have built a "critical mass" and are now enjoying forward momentum and increasing profitability. We now require that each new location has the potential to achieve a minimum of \$1,000,000 in annual sales. A new location with \$1,000,000 in



## Soaring to New Heights

sales will return \$50,000 to us in franchise royalties of which over \$40,000 goes directly to the bottom line. We now have a solid foundation on which to continue expansion.

**Our Industry is changing.** Our competitors are not standing still – and neither are we. Constant monitoring of our competitors and consumer trends is critical to staying on top of our industry. We will continue to expand by capitalizing on market forces driving consolidations in the restaurant industry.

**We expect continuing growth for the Humpty's Chain.** Our area of largest penetration is Alberta, home to 27 of our 44 locations. We see opportunities for more locations in Western Canada and expansion into Eastern Canada and United States. In 1998, we are adding 8 stores, 6 of which are in B.C. We are determined to find good quality locations for our restaurants and we will not open a franchise at a location we believe is less than ideal.

**We are searching for strategic acquisitions to further leverage our management expertise and operating model.** This year we performed extensive due diligence on a possible acquisition and after considering all factors, our decision was not to proceed. Our examination of each acquisition opportunity is part of an ongoing process to grow your Company. We are also evaluating opportunities to establish new food concepts. For example, we are operating a trial location for Wok Tu Yu, a sophisticated Chinese Food home delivery service and we are also in the planning stages of a “café/diner” concept reminiscent of the 1950's and 1960's.

**Our restaurants are part of the community.** We feel it is important to give something back to our communities. Our mascot, Humpty, visits the Children's Hospital on a regular basis and makes appearances at various community events. We are also sponsoring a series of Drug and Alcohol Abuse Prevention programs across Western Canada. It is satisfying to know that our Company is being recognized in connection with worthwhile programs in the community.

Our commitment to communities will continue in the future.

**Our Future is bright.** This has been a very rewarding year and I am excited about our program for 1998. I would personally like to thank our team at Humpty's, our franchisees and our suppliers. Their commitment has been the reason for our success. I am looking forward to the future and will be focused on building value for you.

Best Wishes,

A handwritten signature in black ink, appearing to read "Don Koenig".

Don Koenig

President and Chief Executive Officer

April 15, 1998

## Management Discussion and Analysis

The following discussion of financial position and results of operations should be read in conjunction with the audited financial statements and the related notes.

### Results of operations

In 1997, pre-tax income was \$1,175,000 compared to \$700,000 in 1996. The Company is now realizing the benefits of economies of scale with our pre-tax income as a percentage of revenue increasing from 16% in 1996 to 19% in 1997. Income tax expense increased by \$385,000 with income tax losses carried forward being fully utilized in 1996.

### Systemwide sales

Systemwide sales in 1997 were \$41.7 million compared to \$34.5 million in 1996. This represents an increase of \$7.2 million or 21%. This increase can be attributed to an increase in the number of franchise locations, an increase of 8.6% in same store sales, and new locations with sales levels above the systemwide average. In 1998, systemwide sales are expected to exceed \$50 million, a further 20% increase.

### New locations

In 1997, 5 new franchise locations were awarded, 2 were closed and 1 corporate owned store was opened to bring the total to 44 restaurant locations. Below are the new locations that were opened in 1997 and their anticipated 1998 annual sales volumes based on current results:

February, 1997	Camrose, Alberta	\$1,000,000
March, 1997	Taber, Alberta	\$ 900,000
April, 1997	Lethbridge, Alberta	\$1,000,000
June, 1997	Fort Saskatchewan, Alberta	\$ 900,000
November, 1997	Prince George, BC	\$1,800,000
November, 1997	Winnipeg, Manitoba	\$1,000,000

### Royalty revenue

Royalty revenue amounted to \$1,625,000 for 1997, an increase of \$325,000 or 25%, over the \$1,300,000 recorded in 1996. Royalty revenue is expected to increase at least 25% in 1998 as a result of new locations, promotional programs, ongoing product development and continued research into store layout and design. This was the first full year a marketing manager was on our team focused entirely on marketing strategies, which the Corporation believes are crucial to continued success. Average sales per location increased to \$950,000 in 1997 compared with \$875,000 in 1996. Across 44 locations this is an increase in systemwide sales of \$3.3 million which translates into \$165,000 in royalty revenue for the Corporation. Each new location also increases profitability. A store with \$1 million in sales will return \$50,000 in royalty revenue to the Corporation, of which over \$40,000 goes straight to pre-tax income.

### Corporate locations

The Corporation started the year with 3 corporate stores and added one more in April. Restaurant sales from corporate stores increased \$1.14 million to total \$3.38 million compared to \$2.24 million in 1996. With 1998 being the first full year of operation for the Lethbridge corporate location, the Corporation expects restaurant sales for corporate stores to approach \$4.0 million. The corporate locations allow the



## *Soaring to New Heights*

Corporation to monitor consumer trends and competitors, refine the operating model and test products and menus.

Cost of sales as a percentage of restaurant sales were 32.8% compared with 32.7% in 1996. Volume purchasing lowers our food cost ratio from the family restaurant average of 34.5%. In 1998, cost of sales as a percentage of restaurant sales are expected to remain between 32.5% and 33%.

Operating costs as a percentage of restaurant sales were 49.1% compared with 51.2% in 1996. In 1998, operating costs as a percentage of restaurant sales are expected to remain at approximately 50%.

### **General and administrative expenses**

General and administrative expenses increased \$185,000 to total \$1,900,000 compared to \$1,715,000 in 1996. This increase can be attributed to a combination of an increase in franchise activities and the utilization of a marketing manager for the full year. Advertising has increased 29% due to a combination of more sophisticated promotional strategies and the development of advertising campaigns to be unveiled in 1998.

### **Financial position**

The Corporation had \$1.36 million in current assets and a working capital ratio of 1.4:1 compared with a 1.1:1 ratio in 1996. The debt to equity ratio was 1.68:1 versus 2.93:1 in 1996. The improvement of the debt to equity ratio was due to a combination of the repayment of approximately \$370,000 of debt with interest rates between 18% and 25% and the increase in retained earnings. The Corporation also added new debt at favourable interest rates ranging between prime plus 1.75% to prime plus 2.0% to finance equipment and leaseholds at the new corporate location in Lethbridge. The improving financial strength of the Corporation now allows Humpty's to secure future financing on very favourable terms and the Corporation expects interest on long term debt will be reduced by over \$50,000 in 1998.

### **Cash flow**

Cash flow from operations totaled \$1,150,000 an increase of \$350,000 over the \$800,000 recorded in 1996. The increase in cash flow from operations is a trend that is expected to continue in the future. In 1998 the Corporation will balance its use of cash flow between debt management and financing for continued expansion.





## *Soaring to New Heights*

### **Expansion program**

The Corporation intends to open the following additional locations in 1998, each with anticipated annual sales of between \$1.0 million and \$1.4 million:

February, 1998	Chilliwack, BC
June, 1998	Richmond, BC
June, 1998	Surrey, BC
July, 1998	Abbotsford, BC
October, 1998	Fort McMurray, Alberta
November, 1998	Mission, BC
November, 1998	Surrey, BC #2
December, 1998	Okotoks, Alberta

The future expansion strategy of the Corporation anticipates expansion into Eastern Canada in 1999 and the United States in 2000.

In addition to the development of Humpty's locations, the strategy for expansion includes evaluating possible acquisitions and new food concepts.

### **Important factors**

There are risks associated with management of growth. With its sound operating model, key team members in place and a solid plan for expansion, the Corporation is positioned to manage its growth.

Construction costs are increasing. Humpty's will remain vigilant in controlling costs in order to keep the turnkey price of a franchise attractive for potential investors.

Labor costs are showing an increasing trend. The success of Humpty's has been based on value and we are determined to keep menu prices reasonable. Furthermore, the Corporation continually evaluates new technologies to increase efficiency to gain cost advantages.

Good quality locations are at a premium. The Corporation is determined to find good locations for the new franchisees. In addition, the Corporation is evaluating acquisition opportunities to capitalize on Humpty's experience in the franchise restaurant industry.

The presence of union activity in the restaurant industry and the condition of the B.C. economy may impact expansion plans into B.C. The Corporation has performed extensive research and is confident the locations selected in B.C. will mitigate this risk.



*Soaring to New Heights*

## **Humpty's Restaurants International Inc.**

**Financial Statements  
December 31, 1997**

### **Auditors' Report**

To the Shareholders of Humpty's Restaurants International Inc.:

We have audited the balance sheet of Humpty's Restaurants International Inc. as at December 31, 1997 and the statements of income, retained earnings and changes in cash position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles.

March 10, 1998

*Kenway MacLennan Stewart*



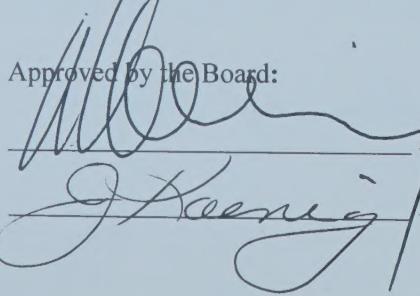
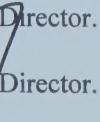
**Humpty's Restaurants International Inc.**

**Balance Sheet**

**December 31, 1997**

	<b>Assets</b>	
	<b>1997</b>	<b>1996</b>
<b>Current assets:</b>		
Cash	\$ 654,539	\$ 299,907
Accounts receivable	356,118	290,598
Inventory	102,038	79,282
Prepaid expenses and deposits	174,791	75,718
Notes receivable, current portion (Note 2)	<u>76,152</u>	<u>62,943</u>
	<u>1,363,638</u>	<u>808,448</u>
Notes receivable, net of current portion (Note 2)	<u>72,965</u>	<u>103,603</u>
<b>Capital assets (Note 3):</b>		
Cost	3,067,993	2,588,230
Less - Accumulated amortization	<u>709,399</u>	<u>535,881</u>
	<u>2,358,594</u>	<u>2,052,349</u>
	<u><u>\$ 3,795,197</u></u>	<u><u>\$ 2,964,400</u></u>
	<b>Liabilities</b>	
<b>Current liabilities:</b>		
Accounts payable	\$ 397,532	\$ 180,940
Income taxes payable	402,023	122,000
Long-term debt, current portion (Note 4)	<u>155,854</u>	<u>432,472</u>
	<u>955,409</u>	<u>735,412</u>
Long-term debt, net of current portion (Note 4)	<u>1,425,209</u>	<u>1,474,192</u>
	<u><u>2,380,618</u></u>	<u><u>2,209,604</u></u>
	<b>Shareholders' Equity</b>	
Share capital (Note 5)	1,104,806	1,104,806
Retained earnings (deficit)	<u>309,773</u>	<u>(350,010)</u>
	<u>1,414,579</u>	<u>754,796</u>
	<u><u>\$ 3,795,197</u></u>	<u><u>\$ 2,964,400</u></u>

Approved by the Board:

  
 Director.  
  
 Director.

## Humpty's Restaurants International Inc.

### Statement of Income

For the Year Ended December 31, 1997

	1997	1996
<b>Franchise revenue:</b>		
Royalties	\$ 1,624,378	\$ 1,291,480
Advertising participation fees	680,341	568,398
Franchise sales	100,000	105,000
Rebates and other	<u>268,634</u>	<u>239,879</u>
	<u>2,673,353</u>	<u>2,204,757</u>
<b>General and administrative expenses:</b>		
Advertising and promotion	861,469	669,499
Salaries and employee benefits	528,716	433,011
Office and miscellaneous	146,198	139,984
Interest on long-term debt	113,829	134,021
Professional fees	95,446	134,970
Bad debts	59,699	42,906
Amortization	52,505	58,545
Loss on lease settlements	<u>40,920</u>	<u>91,512</u>
	<u>1,898,782</u>	<u>1,704,448</u>
<b>Income before the following</b>	<u>774,571</u>	<u>500,309</u>
<b>Restaurant operations:</b>		
Sales	3,381,579	2,242,896
Cost of sales	<u>1,110,371</u>	<u>734,272</u>
Gross margin	2,271,208	1,508,624
Operating costs	1,660,878	1,149,223
Amortization	123,703	77,408
Interest on long-term debt	<u>92,415</u>	<u>82,154</u>
	<u>394,212</u>	<u>199,839</u>
<b>Income before income taxes</b>	<u>1,168,783</u>	<u>700,148</u>
<b>Income taxes:</b>		
Current	509,000	307,000
Utilization of losses not previously recognized	<u>-</u>	<u>(185,000)</u>
	<u>509,000</u>	<u>122,000</u>
<b>Net income</b>	<u>\$ 659,783</u>	<u>\$ 578,148</u>

## **Humpty's Restaurants International Inc.**

### **Statement of Retained Earnings**

**For the Year Ended December 31, 1997**

	<u>1997</u>	<u>1996</u>
<b>Deficit, beginning of year</b>	\$ (350,010)	\$ (919,458)
<b>Net income</b>	659,783	578,148
<b>Dividends</b>	- <hr/>	(8,700) <hr/>
<b>Retained earnings (deficit), end of year</b>	<u>\$ 309,773</u>	<u>\$ (350,010)</u>

## Humpty's Restaurants International Inc.

### Statement of Changes in Cash Position

For the Year Ended December 31, 1997

	1997	1996
<b>Operating activities:</b>		
Net income	\$ 659,783	\$ 578,148
Item not involving cash		
Amortization	<u>176,208</u>	<u>135,953</u>
	<u>835,991</u>	<u>714,101</u>
Changes in non-cash working capital balances	<u>309,266</u>	<u>93,678</u>
	<u>1,145,257</u>	<u>807,779</u>
<b>Financing activities:</b>		
Repayments of long-term debt	(510,601)	(200,508)
Proceeds from long-term debt	185,000	321,305
Redemption of preferred shares	-	(116,000)
Dividends	<u>-</u>	<u>(8,700)</u>
	<u>(325,601)</u>	<u>(3,903)</u>
<b>Investing activities:</b>		
Purchases of capital assets	(482,453)	(483,919)
Repayments of notes receivable	101,429	63,124
Advances of notes receivable	<u>(84,000)</u>	<u>(107,696)</u>
	<u>(465,024)</u>	<u>(528,491)</u>
<b>Increase in cash</b>	<b>354,632</b>	<b>275,385</b>
<b>Cash, beginning of year</b>	<b><u>299,907</u></b>	<b><u>24,522</u></b>
<b>Cash, end of year</b>	<b><u>\$ 654,539</u></b>	<b><u>\$ 299,907</u></b>

## Humpty's Restaurants International Inc.

### Notes to the Financial Statements

December 31, 1997

#### 1. Significant Accounting Policies

##### Inventory

The inventory is valued at the lower of cost and net realizable value. Cost is determined based on the first in, first out method.

##### Amortization

Capital assets are amortized using the declining balance method at the following rates:

Building	- 4%
Furniture and fixtures	- 20%
Equipment	- 20%
Automotive	- 35%

Leasehold improvements are amortized using the straight line method over the term of the lease.

##### Revenue Recognition

Revenue from franchise sales is recognized when the franchise commences operations.

#### 2. Notes Receivable

	1997	1996
The notes receivable are unsecured and repayable in equal monthly instalments totalling \$7,455 maturing November 1998 to March 2004.	\$ 149,117	\$ 166,546
Less - Current portion	<u>76,152</u>	<u>62,943</u>
	<u>\$ 72,965</u>	<u>\$ 103,603</u>

Of the notes receivable \$93,831 bear interest at 12% and the remaining \$55,286 are non-interest bearing.

#### 3. Capital Assets

	1997		1996	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 505,000	\$ -	\$ 505,000	\$ -
Building	1,356,833	303,536	1,353,361	261,546
Leasehold Improvements	466,645	45,634	171,468	14,572
Equipment	362,453	142,251	226,330	87,046
Furniture and fixtures	332,770	183,152	287,779	142,987
Automotive	<u>44,292</u>	<u>34,826</u>	<u>44,292</u>	<u>29,730</u>
	<u>\$ 3,067,993</u>	<u>\$ 709,399</u>	<u>\$ 2,588,230</u>	<u>\$ 535,881</u>

## **Humpty's Restaurants International Inc.**

### **Notes to the Financial Statements**

**December 31, 1997**

#### **4. Long-Term Debt**

	<b>1997</b>	<b>1996</b>
<b>Mortgages</b>		
Repayable at \$7,850 per month including interest at 11%, due December, 2001, land and building with a carrying value of \$1,558,297 has been pledged as security.	\$ 680,376	\$ 700,000
Requires monthly payments of interest only at 12%, a second mortgage on land and building with a carrying value of \$1,558,297 has been pledged as security.	500,000	500,000
Repayable at \$2,793 per month.	-	72,312
<b>Sale-Leaseback Agreement</b>		
Repayable at \$6,250 per month.	-	300,000
<b>Loans Payable</b>		
Three loans repayable at a total of \$6,192 per month plus interest at rates ranging from the bank's prime lending rate plus 1.75% to 2%, \$136,673 due May, 2001, the remainder due March, 2002. Secured by a general security agreement.	300,085	176,669
Repayable at \$1,398 per month including interest 8%, due August, 2000, land and building with a carrying value of \$1,558,297 has been pledged as security.	40,223	53,266
Repayable at \$1,875 per month plus interest at the bank's prime lending rate plus 2%, due October, 1999. An investment account with a carrying value of \$45,160 has been pledged as security.	33,750	62,611
<b>Note Payable</b>		
Repayable at \$1,000 per month, non- interest bearing, due June, 1999. A note receivable with a carrying value of \$18,500 has been pledged as security.	18,500	31,125
<b>Finance Contract</b>		
Repayable at \$292 per month including interest at 9.75%, due October, 1998, certain equipment with carrying value of \$4,660 has been pledged as security.	8,129	10,681
Less - Current portion	<u>1,581,063</u>	<u>1,906,664</u>
	<u>155,854</u>	<u>432,472</u>
	<u><u>\$ 1,425,209</u></u>	<u><u>\$ 1,474,192</u></u>

## Humpty's Restaurants International Inc.

### Notes to the Financial Statements

December 31, 1997

#### 4. Long-Term Debt (continued)

The principal repayments required are as follows:

1998	\$ 155,854
1999	134,625
2000	115,257
2001	659,947
2002	15,380
Thereafter	<u>500,000</u>
	<u>\$ 1,581,063</u>

#### 5. Share Capital

Authorized -

- Unlimited number of common voting shares
- Unlimited number of first preferred shares, issuable in series.
- Unlimited number of second preferred shares, issuable in series.

Issued -

	1997	1996
15,044,785 common shares	\$ <u>1,104,806</u>	\$ <u>1,104,806</u>

#### Stock Option Plans

The following stock options were outstanding at December 31, 1997.

Number of Common Shares	Exercise Price	Expiry Date
150,000	\$ 0.14	October 17, 1999

#### 6. Deferred Income Taxes

At December 31, 1997 the income tax value of the company's capital assets exceeds their carrying value by \$215,234 (1996 - \$245,002). The potential income tax benefit of this item has not been recognized in these financial statements.

#### 7. Contingencies and Commitments

- The Company has entered into contracts with each of its franchisees that require continuing performance on the part of the Company.
- The Company is contingently liable under head lease agreements with the landlords of many of its franchisees. The likelihood or amount of any liability under these agreements cannot be reasonably determined. Any losses will be charged to income in the year incurred.



*Soaring to New Heights*

## **Humpty's Restaurants International Inc.**

### **Notes to the Financial Statements**

**December 31, 1997**

#### **8. Net Income Per Share**

Net income per share has been calculated using the weighted average number of shares outstanding during the year.

	<u>1997</u>	<u>1996</u>
Basic and fully diluted	\$ 0.044	\$ 0.038

#### **9. Lease Commitments**

The Company has leases for the rental of premises, automobiles, and office equipment. The minimum annual lease payments for each of the next five years are as follows:

1998	\$ 170,442
1999	164,503
2000	142,266
2001	116,280
2002	<u>118,060</u>
	<u>\$ 711,551</u>

#### **10. Additional Franchise Information**

	<u>1997</u>	<u>1996</u>
Number of restaurant locations in operation		
Franchises		
Beginning of year	37	33
New franchises sold	5	5
Franchises closed	(2)	(1)
End of year	<u>40</u>	<u>37</u>
Franchisor owned outlets	4	3
Total locations	<u>44</u>	<u>40</u>

#### **11. Fair Value Disclosure**

The fair value of all the Company's financial assets and liabilities approximate their carrying value.

#### **12. Comparative Financial Statements**

Certain figures in the 1996 financial statements have been reclassified to be consistent with the presentation used in 1997.



## Shareholder Information Page

### Annual Meeting

June 25, 1998

Holiday Inn 4206 Macleod Trail South Calgary, Alberta  
10:00 A.M.

### Stock Listed

Humpty's Restaurants International Inc.'s common shares are listed on the Alberta Stock Exchange under the trading symbol HMP. On December 31, 1997, approximately 15.04 million shares were outstanding.

### 1997 Trading Volume

ASE: 3,156,761 shares traded

Average ASE trading price: .54

### Correspondence

Humpty's Restaurants International Inc. 2505 Macleod Trail S.W. Calgary, Alberta T2G 5J4

### Internet

Recent Humpty's news releases and other shareholder information is accessible on our Home Page at <http://www.humpty's.com>. Send questions or comments to Humpty's e-mail address: [humpty@cadvision.com](mailto:humpty@cadvision.com).

### Transfer Agent

Montreal Trust 600, 530 - 8<sup>th</sup> Avenue S.W. Calgary, Alberta T2P 3S8

### Investor Relations

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